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SUBJECT: URIBE'S HEALTH CARE SCHEME UNDER FIRE

REF: 08 BOGOTA 3352; BOGOTA 163

¶1. (SBU) SUMMARY. President Uribe declared a "Social Emergency" just before the New Year, giving the executive branch the power to issue health care reforms by decree. The decrees -- implemented without Congressional approval -- aim to prevent the financial collapse of the health care system, which faces an estimated \$3 billion shortfall. The measures also seek to improve medical attention for 51% of the population that receives subsidized health care. Widespread public opposition has focused on the GOC's lack of consultation with stakeholders, restrictions on prescribed treatments, and penalties against doctors who fail to adhere to the new program. Within several weeks, the Constitutional Court is expected to rule on whether the new taxes and reform measures are legal. END SUMMARY.

GOC ADDRESSES RISING COSTS, HEALTH CARE INEQUALITIES

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¶2. (SBU) Colombia faces the dual challenge of widening access to health care and improving the quality for its poorest citizens. The GOC enacted two parallel health system programs in 1993 to ensure universal access to health care: the subsidized program, which covers the unemployed and the informal sector, and the contributory program, under which the salaried or self-employed contribute 12% of their salary. Under this progressive design, contributors help underwrite the subsidized system. As a result, health care coverage expanded from 20% of all Colombians in 1992 to 94% in 2009 (ref A). While the 1993 reforms resulted in very high levels of "coverage" in terms of numbers of Colombians having health insurance, "access" -- in terms of actual services -- has lagged considerably, especially in rural areas.

¶3. (U) The health care system is threatened by two problems. The system is almost bankrupt due to unrealistic estimates of the number of Colombians in the contributory system. Unemployment for 2009 averaged 12% (13% in the last decade), and the informal sector has increased in size -- from 48% to 58% of the workforce -- over the past 10 years (ref B). Second, those under the subsidized program (51% of the Colombian population) enjoy fewer benefits and lower-quality care than those in the contributory system.

¶4. (SBU) The proposed reforms identify new funding sources to avoid bankruptcy of the system and equalize health care coverage for subsidized and contributory users under the basic Obligatory Health Plan ("POS"). By July 2010 -- as directed last year by the Constitutional Court -- the POS coverage must be the same under both the contributive and subsidized plans. The Finance and Health Ministries calculate that this ruling will impose an additional US\$3

billion in funding costs.

#### GOC IMPOSES LIQUOR TAX, ABOLISHES LAWSUITS

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15. (SBU) To expedite the process and avoid a laborious negotiation with Congress, President Uribe declared a "Social Emergency" on December 23, 2009, allowing him to impose new taxes and procedures. Of the 16 decrees, ten (Decrees 126-135 of 2009) are considered controversial and include major changes to the health care system. New elements include:

-- Regulations to control health costs, including a list of approved drugs and treatments under the POS. There are sanctions and even jail time for doctors and health professionals who do not abide by these regulations.

-- VAT tax of 14% imposed on national and imported beer sold in

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Colombia (the prior VAT was 3%), which will help finance the broadening of services covered by the POS. Similar taxes will be imposed on cigarettes, liquor and gambling.

-- Services that are not included within the POS are called "exceptional health services" and will be reviewed by a committee of health care providers and outside experts. Previously, patients could initiate a judicial lawsuit ("tutela") to obtain needed treatment for their ailment. If the committee denies coverage, the patient can utilize pension savings to pay for medical services.

16. (U) A national level committee made up of representatives from the Ministries of Finance, Health, Colciencias (science and technology agency), and three outside experts will periodically evaluate the services and medicines covered by the POS.

#### MEDICAL ESTABLISHMENT AND PATIENTS OUTRAGED

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17. (SBU) President Uribe's government has come under heavy fire for not consulting with stakeholders before issuing the decrees. The new measures sparked opposition from medical professionals, labor unions, patients, Congress, and the public. The decrees also became a campaign issue for presidential candidates. Two senators plan to introduce a "patient's bill of rights." A presidential advisor told us privately that Uribe is extremely displeased with the handling of the issue by Minister of Social Protection Diego Palacios and fears that the health care controversy could be as politically damaging as the DMG pyramid scheme.

18. (U) Gustavo Malagon, President of the National Academy of Medicine, stated the decrees are a "serious attack on the medical profession. Such an attack has never happened before in this or any other democratic nation." The Academy claims the decrees undermine doctors' expertise and limits their autonomy, "trapping them in an insurance system that is eminently commercial in

nature." This criticism is echoed by the Colombian Association of Clinics and Hospitals and other health sector actors.

¶9. (U) Oscar Rodriguez, Economics Professor at Universidad Nacional, noted the reforms are not intended to improve the

health care system; the objective is to alleviate an overburdened national budget. Rodriguez argues that the decrees will increase poverty levels, because the poor will have to finance "exceptional" illnesses with their limited personal savings.

¶10. (U) Others criticize the burden of equalizing the two health care systems, claiming it will fall too heavily on the contributive system. While the goal is to expand services under the POS, some patients fear that by giving the health provider authority to grant or deny health coverage to patients (rather than an independent judge), objectivity will be lost and coverage will become more restrictive.

¶11. (SBU) Executives at Profamilia, a large private provider of reproductive health services, told us the proposed taxes on beer and other items will probably only raise about US\$1 billion in revenue, not enough to cover the US\$3 billion health deficit.

URIBE DEFENDS REFORM

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¶12. (SBU) President Uribe has invested considerable time, notably on radio talk shows, answering questions about the emergency measures. He also publicly criticized embattled Health Minister

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Palacios for not being responsive to criticisms about the decrees. Palacios claims the new measures have been "misunderstood." In addition to official voices, a handful of respected analysts support the reforms, including the Presidents of ANDI (National Association of Industrialists) and ANIF (National Association of Financial Institutions), who emphasize that the reforms help fix a structural fiscal problem.

GOC BACKTRACKING, COURT TO RULE ON LEGALITY

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¶13. (U) In response to the outcry, President Uribe and Minister Palacios held a series of meetings with medical associations and Congress to negotiate the implementation and scope of the decrees. Already, Uribe has backtracked on some of the decrees, including financial sanctions against physicians that prescribe unapproved medication or procedures and the use of pensions to pay for treatments outside POS coverage.

¶14. (U) Minister Palacios submitted technical justifications in support of the decrees to the Constitutional Court on February 12 for its review. The Court is expected to take at least one month to consider the constitutionality of the GOC measures. The President of the Constitutional Court said the decrees could crumble under judicial scrutiny -- particularly the ones imposing new taxes.

COMMENT: A POLITICAL BLUNDER?

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¶15. (SBU) The fallout from the "Social Emergency" decrees could not come at a worse time for President Uribe, who is being criticized from many sectors in an election year. The fiscal implications of a universal health care system are a serious and legitimate concern. While no poll numbers are yet available to gauge the impact of the controversy, Uribe's popularity may suffer. By unilaterally applying decrees on such a sensitive issue, Uribe has given his opponents a theme to rally around as the country heads into its presidential campaign.

NICHOLS